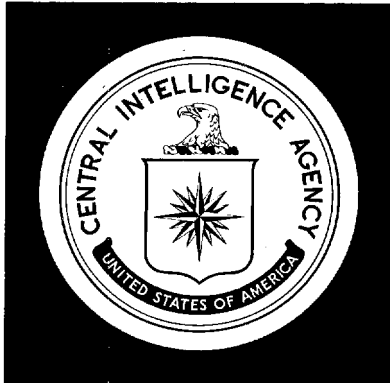


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DIRECTORATE OF  
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State Department review completed

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# *Central Intelligence Bulletin*

## CONTENTS

VIETNAM: Situation report. (Page 1)

VENEZUELA: Oil companies are again under pressure.  
(Page 5)

PERU-CUBA-OAS: Peru again is questioning sanctions  
against Cuba. (Page 6)

HONDURAS: The public is being prepared for the  
ouster of President Cruz. (Page 7)

BANGLADESH: There is gradual progress toward po-  
litical stability. (Page 8)

NATIONALIST CHINA: Chiang Kai-shek's son to be  
premier (Page 9)

JAPAN: Student plans for demonstrations (Page 9)

LAOS: Military situation (Page 11)

PAKISTAN: Devaluation (Page 11)

BANGLADESH: Threat to nationalize a factory (Page 11)

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**VIETNAM:** The Soviet Government statement yesterday was relatively temperate and designed to preserve Moscow's options. It did not criticize the President or mention the summit meeting, implying that no decision to cancel it has yet been taken.

Although the statement reaffirms Moscow's continued support for North Vietnam, it suggests that the Soviets will not challenge US measures to close North Vietnamese ports. The statement stresses the threat that US actions pose to mercantile powers and to "international shipping," and does not portray the actions as a challenge specifically directed at the USSR.

At the same time, however, the Soviets left an impression that further Soviet actions can be expected if the crisis continues. They have charged, for example, that the US "will bear the entire responsibility for the possible consequences of its illegal actions," and have warned that the USSR "will draw the appropriate conclusions" if these actions continue. This line not only would enable Moscow to charge the US with the responsibility for any failure in their on-going negotiations but also raises the specter of a more direct confrontation.

The statement issued on 11 May by the PRC government regarding the situation in Vietnam is generally consistent with China's restrained and moderate reaction so far to the new phase of the war. Although it condemned the latest US military measures as a "grave step," the article does not characterize them as a threat, challenge, or provocation to the Chinese people or government. Moreover, the article does not attack President Nixon personally, but limits its rhetoric to replaying familiar statements of support for the North Vietnamese.

Nothing in the statement commits Peking to a course of action with respect to the mining of North Vietnamese ports or indicates what it will do about

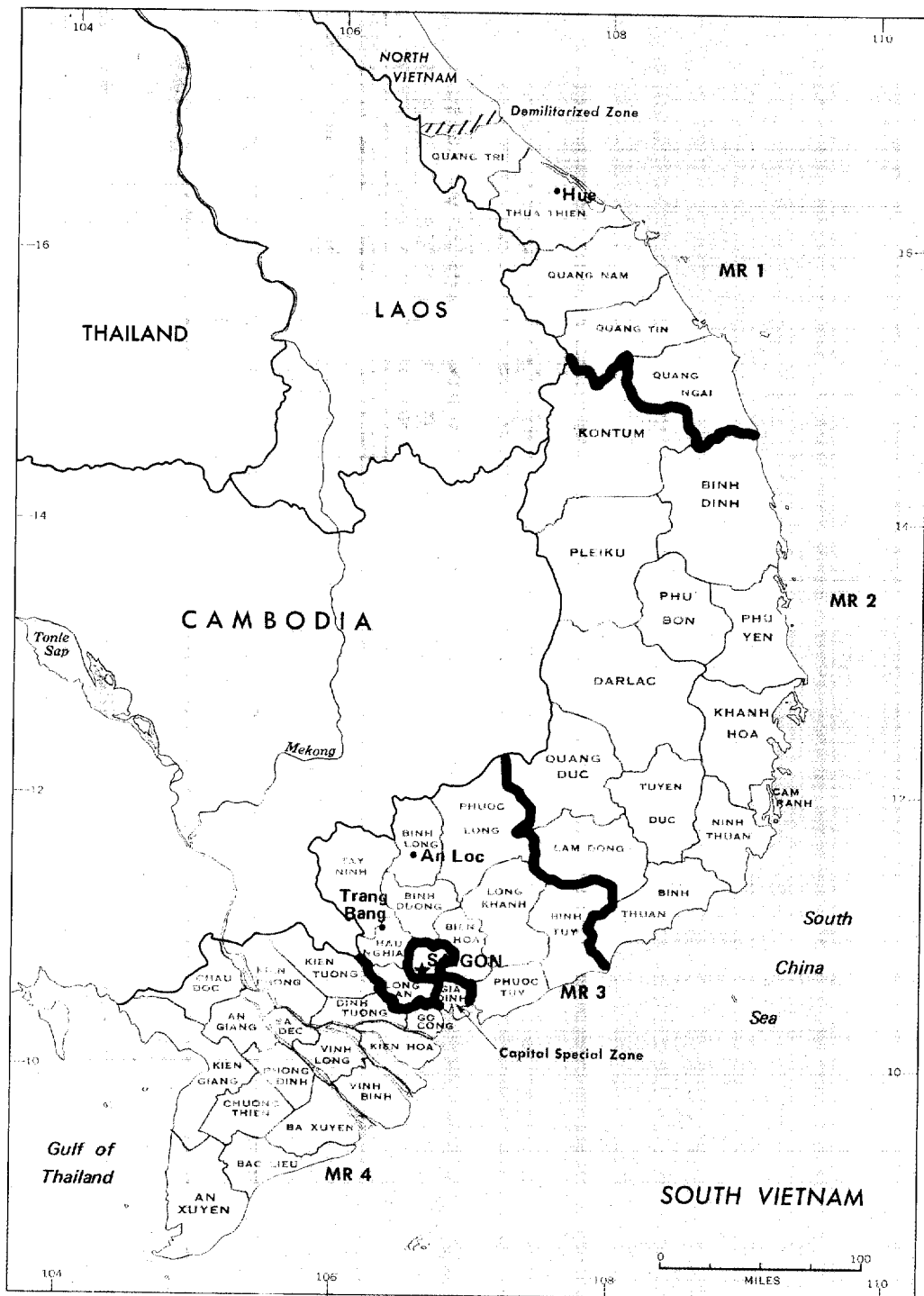
12 May 72

Central Intelligence Bulletin

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the five Chinese merchant ships presently in Haiphong harbor. Indeed, in speaking of US naval and air actions, Peking limits itself to saying that they are a provocation "against the people of Vietnam and the people of the whole world." This statement closely parallels an earlier "commentator" article appearing in the 11 May edition of People's Daily.

Peking media have been rerunning commentary originating in North Vietnam and North Korea on the President's actions. These articles are considerably stronger than those written by the Chinese themselves, but in reproducing them the Chinese have carefully edited out all unfavorable personal references to President Nixon and to the Nixon Doctrine.

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[REDACTED] While making clear China's opposition to the US measures, [REDACTED] the Chinese see the situation as basically a US confrontation with the Soviet Union not affecting China.

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South Vietnamese forces defending An Loc are still holding against intense enemy artillery and ground attacks all around the town's perimeter. Enemy tanks have approached from two sides, but American advisers report that all tanks visible late on 11 May appeared immobilized, apparently mostly from air strikes.

Southwest of An Loc in Hau Nghia Province, government territorial forces and units from the South Vietnamese 25th Division have recaptured three outposts that had been overrun by the Communists on 10 May. Fighting continues southwest of Trang Bang District town.

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12 May 72

Central Intelligence Bulletin

3

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The North Vietnamese continue to shell government positions north and west of Hue, but there have been no major new ground attacks. [redacted] report that the Communists are continuing to bring supplies toward Hue.

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Quang Ngai Province, at the southern end of Military Region 1, may be a new major enemy target. Government forces have been stretched thin there following the transfer of forces north to help defend Hue. A considerable reservoir of support for the enemy still exists among the villagers of this province, and many are likely to help the North Vietnamese against the government.

\* \* \* \*

Food prices in Saigon are beginning to rise slightly as it becomes more difficult to transport food safely into the city. Some people are beginning to hoard commodities, but so far there are no signs of panic buying or of any significant rise in the flight of capital. After declining for three weeks, the price of the US dollar on the Saigon black market has begun to move up again, but the black market rate is still only a small fraction higher than the legal rate and does not reflect a significant loss of confidence in the currency of the South Vietnamese Government. [redacted]

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VENEZUELA: The foreign oil companies are once again under pressure from the Christian Democratic government.

Government concern over a potential revenue shortfall resulting from the depressed level of oil production evidently is deepening, now that the general election campaign is in its early stages. In an effort to avoid the political embarrassment of budget stringencies, the Caldera government has been urging the oil companies to accelerate their tax payments. This week the "big two" companies, Creole and Shell, informed the Finance Ministry that they intend to conform with existing regulations and to refuse a speedup in payments.

Thus, another industry-government conflict threatens to end the detente that followed recent US Government offers to negotiate a wide range of commercial matters. The government not only can compel company compliance on this tax issue by merely altering the regulations, but also can impose the heavy penalties that the companies have incurred under existing regulations by failing to meet government-prescribed export quotas.

The government apparently is preparing the ground for another squeeze on the companies. In late April President Caldera made vague accusations that the oil companies were behind student disturbances around the country. Last week the head of the Christian Democratic Party said that "international consortiums" are fomenting subversive ideas and that Creole might expect better treatment from a nondemocratic regime. This week one of Caldera's closest aides claimed that the companies were guilty of trying to place Venezuela in a "bad light" on the international scene.

25X1

12 May 72

Central Intelligence Bulletin

5

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PERU-CUBA-OAS: Peru again is raising the question of modifying sanctions against Cuba.

According to the Peruvian ambassador to the OAS, the draft resolution would permit each country to decide on establishing diplomatic and commercial relations with Cuba. At the same time, the question of whether changed circumstances necessitate a revision in OAS policy would be studied. The Peruvians are not likely to receive sufficient support from other Latin American countries to pass their resolution; the Colombian ambassador told his Peruvian colleague that some countries may want to show special solidarity with the US because of the situation in Southeast Asia.

Peru raised the matter informally last December but did not follow through because of the intensity of opposition. Lima has continued to consult other governments, but has received little encouragement.

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HONDURAS: An antigovernment radio campaign indicates that the public is being prepared for the long-expected ouster of President Cruz.

The campaign, directed by armed forces chief and former president, General Lopez, is trying to discredit the bipartisan government, attacking Cruz for his lack of leadership and the Liberal and National parties for using the unity government as a means of dividing the spoils. To underscore the government's incompetence, persons close to Lopez reportedly are encouraging student unrest. After 11 months of turmoil and economic deterioration, however, the public needs very little conditioning to accept a coup.

Representatives of private enterprise and organized labor have met with Lopez twice during the past two weeks and asked him to summon leaders of the two parties to a general meeting to discuss means of injecting life into the stalled government machinery. Private sector representatives have not specifically asked Lopez to take over, but most of them realize that their petition gives the military a right to determine whether civilian politicians are performing satisfactorily.

Although Lopez has said on a number of occasions that Cruz could not be tolerated much longer, he has been waiting for conditions to deteriorate to the point that influential sectors would beg him to act. The radio campaign and student unrest are designed to ensure international--especially US--acceptance of the necessity for the change.

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BANGLADESH: The country is making gradual progress toward political stability, despite its serious economic problems.

In a recent assessment, the US chargé d'affaires in Dacca reported that the security situation is improving in most of the country. The government is augmenting its police force--there are now more policemen than before independence--and several pro-government paramilitary organizations are being formed. Some hooligan bands and small antigovernment far-leftist groups are still causing trouble, but they do not pose a serious threat to the regime. Within the ruling Awami League, meanwhile, Prime Minister Mujibur Rahman has further consolidated his control by keeping the relatively few dissident members out of key party posts.

The economy continues to be plagued by shortages of consumer goods and raw materials, inflation, low industrial and agricultural production, serious unemployment, and administrative weaknesses. Some labor groups have been squabbling over scarce jobs, but the Bengalis have long been accustomed to privation, and protest demonstrations over economic problems have been relatively few.

Food supplies--including 600,000 tons that have arrived so far from foreign donors, with India furnishing over half the total--are far from plentiful but have been sufficient to prevent famine. Transportation and distribution problems, which will be further aggravated by monsoon rains starting later this month, could result in acute food shortages in a few localities, but domestic and foreign food supplies probably will be adequate to avert large-scale starvation.

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12 May 72

*Central Intelligence Bulletin*

8

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NATIONALIST CHINA: Recent editorials in major independent newspapers are setting the stage for Vice Premier Chiang Ching-kuo's nomination as premier after his father's inauguration to a fifth term as president on 20 May. The appointment will formalize the power the younger Chiang has exercised for some time. Appointment of a new cabinet, as well as the upcoming reorganization of the government and party, will allow Chiang Ching-kuo not only to strengthen his position as successor to Chiang Kai-shek but also to solidify backing for the efforts he and his father hope will bolster the Nationalist position at home and abroad. [REDACTED]

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JAPAN: Radical youth organizations will mount street protests in Tokyo on 15 May, Okinawa reversion day, according to police. Demonstrators are being recruited from outside the capital and could number as many as 17,000. The extremists are papering over their rivalries in the interest of creating major disturbances. Japanese security forces are confident of their ability to handle the expected street clashes and are taking special precautions to guard against guerrilla attacks on government and military installations. In addition, the Japan Communist and Socialist parties and the Sohyo labor federation will jointly sponsor a non-violent rally. Left-wing opposition to American activities in Vietnam could increase the turnout at this rally, but attendance is still expected to be low. [REDACTED]

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12 May 72

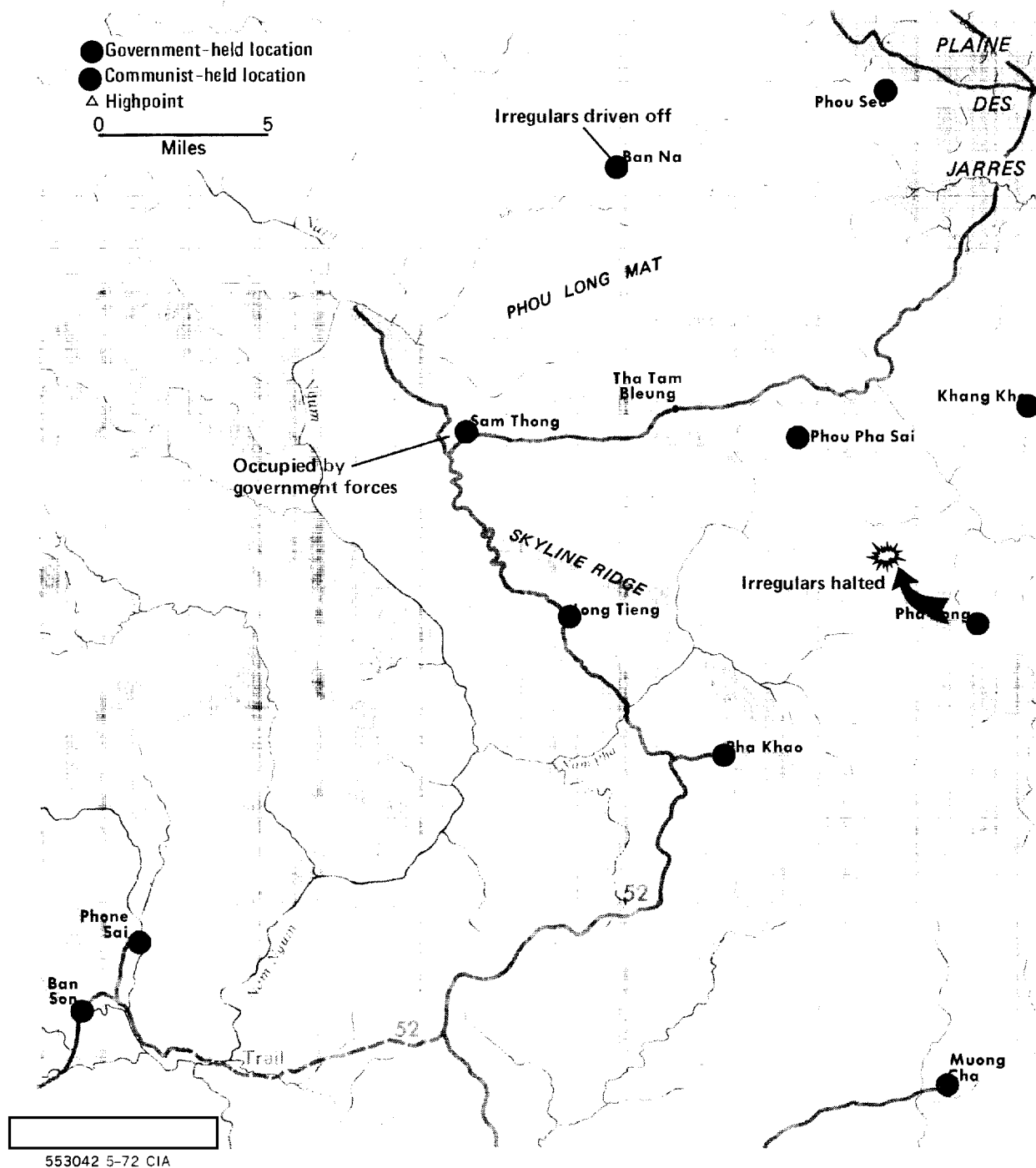
Central Intelligence Bulletin

9

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## LONG TIENG AREA



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LAOS: Vang Pao is moving to take advantage of the recent withdrawal of Communist units from the hills southwest of the Plaine des Jarres. Government forces encountered no opposition when they re-occupied Sam Thong, the former refugee center which had been controlled by the Communists since mid-March. On 9 May, however, a North Vietnamese company attacked and halted a government task force attempting to move from Pha Dong to Phou Pha Sai, a strategic highpoint overlooking the southern Plaine. Another North Vietnamese force pushed a small irregular contingent from Ban Na, which had been occupied without opposition earlier this week. [REDACTED]

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PAKISTAN: Islamabad yesterday devalued the rupee by almost 60 percent, opening the door to substantial Western aid. The Aid-to-Pakistan Consortium had made currency reform a prerequisite for debt relief. The relief package--already tentatively agreed to--will amount to \$234 million through June 1973. Western nations probably will also provide urgently needed commodity aid, and the International Monetary Fund standby credits. The devaluation will have only a limited impact on foreign trade. The present export bonus system has amounted to a selective de facto devaluation. [REDACTED]

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\* \* \* \*

BANGLADESH: The minister of industries, anxious to see the 2,000-man work force of an idle US-owned jute manufacturing plant re-employed, has threatened to nationalize the factory if it is not put back into operation. This would be a departure from the government's policy against nationalizing foreign firms. There is no alternative local financing for the factory which has been closed since last December because of unpaid insurance claims. [REDACTED]

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